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D'ELDONA GOLD MINES LIMITED

Annual Report

FOR THE YEAR
ENDED APRIL 30

1976

D'ELDONA GOLD MINES LIMITED

Incorporated under the laws of the Province of Ontario

CAPITAL

Authorized	- - - - -	8,000,000 Shares
Issued	- - - - -	6,000,000 Shares

OFFICERS

MURRAY COOPER	- - - - -	<i>President</i>
DAVID W. GORDON	- - - - -	<i>Vice-President</i>
C. DOUGLAS CAMERON	- - - - -	<i>Secretary-Treasurer</i>

DIRECTORS

BRUCE A. BLACKBURN	WILLIAM W. DENNIS
MURRAY COOPER	DAVID W. GORDON
H. GRANT HARPER, P.ENG.	

TRANSFER AGENT AND REGISTRAR

CANADA PERMANENT TRUST COMPANY	- - - - -	Toronto
		Montreal
		Vancouver

AUDITORS

LAVENTHOL & HORWATH	- - - - -	Toronto
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SHARES LISTED

Toronto Stock Exchange
Vancouver Stock Exchange
Montreal Stock Exchange

HEAD OFFICE:

Suite 1100, 85 Richmond Street West
Toronto, Ontario
M5H 2W6

D'ELDONA GOLD MINES LIMITED

REPORT OF THE DIRECTORS

To the Shareholders

The directors are pleased to present this 31st Annual Report on the affairs of your Company together with the financial statements as at April 30, 1976, the close of the Company's fiscal year, and the Auditor's Report thereon.

FINANCIAL

A strong financial condition has been maintained, as evidenced by working capital of \$1,714,356 at April 30, 1976 compared to \$1,704,969 at the close of the previous year. Subsequent to the close of the last fiscal period, the Company sold its holdings of 545,200 shares of Cavalier Energy Inc. for \$2,180,800 which is \$1,628,084 in excess of cost, thereby increasing available current funds to the highest level in the Company's history.

D'Eldona has purchased for investment, by way of a private placement, 497,000 shares of Aldona Mines Limited at 17¢ per share, the sale of which is subject to prior approval of the regulatory bodies concerned. This purchase represents 25% of the issued and outstanding capital stock of Aldona. In addition to its mining claims located in the heart of the Rouyn-Noranda mining area of Quebec, Aldona has been active for several years as a participant in a number of gas well drilling projects in Alberta which have met with a good degree of success.

EXPLORATION & DEVELOPMENT

D'Eldona has embarked upon an agressive program in the search for petroleum and natural gas resources with its efforts presently centered in the Province of Alberta, and we have the following to report on these activities.

CURRENT OIL & GAS PROGRAMS - Alberta

Three wells were drilled in the NESTOW-CLEARBROOK area in which the Company has a 16 2/3% interest. A well at 11-23-60-24 W4M was placed on production last August at an initial rate of 3 MMcf/d with gas deliveries to TransCanada PipeLines Limited. The remaining two wells drilled were dry. The Company's land interest is in approximately 9,000 gross acres some of which the Company feels has potential for gas and may be evaluated by drilling in the coming year.

In the KILDA area two wells were drilled in which D'Eldona has a 16 2/3% working interest. The 11-8-1-12 W4M well was completed in the Mississippian and flowed gas at a rate of 1.9 MMcf/d at 325 psia. Preparations are being made to do an absolute open flow test, after which consideration will be given to perforating the Bow Island sand making the well a potential dual zone producer. The operator of the well will be negotiating with Canadian Montana Gas Co. Ltd. regarding a gas sales contract. As a follow up program, consideration is being given to drilling an option well in Sec. 1-1-12 W4M at an early date.

A successful well was drilled in the LOON CREEK area at 6-27-83-18 W4M which was flowed from the Grosmont formation. On a deliverability test the results indicated an absolute open flow potential of 1.83 MMcf/d. Additional drilling surrounding the discovery well will be conducted during the first quarter of 1977. By drilling the initial well the Company has earned a 6.25% interest in all 36 sections of Township 83.

By paying 15% of the cost for a working interest of 12.5%, the Company has to date earned an interest in 5,000 gross acres in the HAIGHT-WEST VEGREVILLE area as a result of the drilling of five wells. Three of these wells were completed as potential gas wells. Consideration is being given to the drilling of further option wells, and upon completion of that drilling the gas reserves will be contracted for possible delivery by November 1977.

FUTURE OIL & GAS PROGRAMS - Alberta

The Company will be participating in a very ambitious exploration program over the next six months which should prove most exciting. The first of these projects is in the WESTLOCK field where a test well will be drilled and options are held to drill two additional wells. The Company will have a 40% working interest in these wells. The drilling locations at Westlock are adjacent to existing commercial gas wells.

A second project is in the HERCULES area. This is a relatively low risk venture close to production facilities and located only six miles south east of the City of Edmonton. If successful, it is capable of returning a rapid payout with satisfactory profit. The project involves the drilling of a well to 4,100 feet at a cost of \$75,000 dry hole with an additional \$25,000 required for completion costs. Your Company will hold a 25% interest in the well and in 800 gross acres.

Another project is in the HALLIDAY area. This is an oil-gas project located on the north side of the Cessford oil and gas producing area. A well is to be drilled to a depth of 6,200 feet at a dry hole cost estimated at \$170,000. The Company will earn a 25% working interest and, if successful results are obtained, it is estimated that the possible reserves could be up to 35 million barrels of oil or substantial gas reserves. Drilling of the well will earn the Company a like interest in 5,120 acres.

*600,000
this -*

In the PELICAN-LIVOOCK area a participation in this prospect will represent the largest single exploration program for oil and gas into which your Company has yet ventured. An extensive drilling program is contemplated here of some twenty wells involving an expenditure of from 2 to 3 million dollars. It is estimated that 2 to 2½ million dollars will be spent this coming winter season. D'Eldona has been invited to be a participant. Varying interests could be earned in approximately 250,000 gross acres all located west of Fort McMurray and north of the Portage gas field. At the time of this writing the extent of the Company's participation has not been fully established but it is expected a significant percentage will be taken by your Company.

21% of 600,000

MINING INTERESTS

Several mining prospects were brought to the attention of management during the year and were investigated, but none was deemed sufficiently attractive to warrant participation. Your management will, however, continue on the alert for mining situations of merit.

D'Eldona continues to hold its interest in several mining companies represented by a 49% interest in Delbridge Mines Limited, a 26% interest in Kerralda Mines Limited and 133,333 shares of South Dufault Mines Limited.

SHAREHOLDERS' MEETING

The Annual General Meeting of Shareholders will be held on October 29th next at the time and place stated in the accompanying Notice of Meeting. As more fully set out in the accompanying Information Circular the shareholders are being asked at the forthcoming Annual General Meeting to confirm as a Special Resolution a Resolution passed by the Directors, whereby the Company may purchase its own common shares. It will be noted that Management is recommending that shareholders vote in favour of confirming the Special Resolution.

If you are unable to be present in person would you please date, sign and return the enclosed proxy form in the self-addressed envelope provided.

Respectfully submitted on behalf of the Board

"Murray Cooper"
President

October 1, 1976

- no plans to buy any shares
at the moment

D'ELDONA GOLD MINES LIMITED

Suite 1100
85 Richmond Street West
Toronto, Ontario M5H 2W6

INFORMATION CIRCULAR

This information circular is furnished in connection with the solicitation by management of proxies to be voted at the annual and general meeting of the shareholders of D'ELDONA GOLD MINES LIMITED (the "Company") to be held on Friday, the 29th day of October, 1976. Proxies will be solicited primarily by mail and may also be solicited by the directors and/or officers of the Company at nominal cost. The Company will bear the cost of solicitation of proxies.

ELECTION OF DIRECTORS

The Board of Directors of the Company consists of five (5) directors. The following are management's nominees for election to the Board with information concerning the same:

<u>Name of Director</u>	<u>Principal Occupation or Employment</u>	<u>Director Since</u>	<u>Shares Beneficially Owned at October 1, 1976*</u>
Murray Cooper	President and director. Mining Executive.	1964	41,501
David W. Gordon	Vice-President and director. Mining Executive.	1974	1
William W. Dennis	Director. Mining Prospector, self-employed.	1975	1
H. Grant Harper	Director. Economic Geologist and Professional Engineer.	1973	1
Bruce A. Blackburn	Assistant Secretary and director. Editor of a life insurance publication.	1964	1

* the information as to the shares of the Company beneficially owned by the foregoing nominees has been supplied by such nominees and is not within the knowledge of the Company.

The term of office of each director elected will be from the date of the meeting at which he is elected until the annual meeting next following or until his successor is elected or appointed.

Proxies received pursuant to this solicitation will be voted for the election of the above named nominees. IF, FOR ANY REASON, ANY SUCH NOMINEE SHOULD NOT BE AVAILABLE FOR ELECTION, SUCH PROXY WILL BE VOTED IN FAVOUR OF THE REMAINING NOMINEES AND MAY BE VOTED FOR A SUBSTITUTE NOMINEE IN THE PLACE OF THOSE WHO ARE NOT CANDIDATES. Management has no reason to believe that any of these nominees will fail to be candidates at the meeting and does not at this time have any substitute for any such nominees.

REMUNERATION OF MANAGEMENT

During the past fiscal year, the aggregate direct remuneration paid or payable by the Company to the directors and senior officers was the sum of \$20,275.00. The sum of \$750.00 was paid by the Company's wholly owned subsidiary, D'Eldona Developments (Ontario) Limited.

APPOINTMENT AND REVOCATION OF PROXIES

Proxies in the form enclosed which are properly executed, returned to management and not revoked, will be voted at such meeting in accordance with the authority contained therein and with respect to matters set forth in the Notice of Meeting. Any such proxy may be revoked at any time before it is exercised. A shareholder who has given a proxy may revoke it either by signing a proxy bearing a later date and delivering the same for use at the meeting at the Company's Head Office, Suite 1100, 85 Richmond Street West, Toronto, Ontario, provided the same is delivered at least 48 hours, exclusive of Saturdays and holidays, prior to the time of the meeting or, as to any matter in which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing a written notice of revocation and by delivering it to the Company or an agent thereof prior to the meeting.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the printed form of proxy accompanying the notice of meeting will vote the shares in accordance with the direction of the shareholder appointing them as indicated in the instrument of proxy, or as otherwise in writing instructed. WHERE NO CHOICE IS INDICATED ON THE INSTRUMENT OF PROXY NOR CONTRARY WRITTEN INSTRUCTIONS RECEIVED, AN AFFIRMATIVE VOTE WILL BE CAST. THE SAID PROXY SHALL CONFER DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED WITH RESPECT TO AMENDMENTS TO OR VARIATIONS IN THE ITEMS SET OUT IN THE FORM OF PROXY OR ON ANY MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING. At the time of printing this information circular, management knows of no such amendment or variation nor of any matter to come before the meeting other than as stated in the notice of meeting.

REPORT OF DIRECTORS AND FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED APRIL 30, 1976

It is intended to vote the proxy to approve the report of the directors and the financial statements and auditors' report thereon referred to in the enclosed notice of meeting.

APPOINTMENT OF AUDITORS

It is intended to vote all management proxies received in favour of the re-appointment of Messrs. Laventhal & Horwath, Chartered Accountants, to hold office as auditors of the Company until the next annual meeting of shareholders and to authorize the directors to fix their remuneration.

VOTING OF SHARES

Each holder of common shares is entitled to one vote for each common share held of record at the time of the meeting. The Company has 6,000,000 common shares issued and outstanding as at October 1, 1976 and, so far as the directors and senior officers of the Company are aware, the only person or Company beneficially owning directly or indirectly in excess of 10% of the issued and outstanding shares of the Company is Regal Finance Limited, Suite 1100, 85 Richmond Street West, Toronto, Ontario, and the only person or Company owning directly or indirectly greater than 5% of the issued and outstanding shares of Regal Finance Limited are Roy Fisher, 83 Flaming Roseway, Willowdale, Ontario, and Barbara Landau, 159 Royal Orchard, Thornhill, Ontario.

The foregoing provisions relating to the voting of shares and the delivery of proxies are subject to a resolution passed by the directors of the Company which provides that all proxies to be used at the meeting must be deposited with the office of the Company at Suite 1100, 85 Richmond Street West, Toronto, Ontario, not later than 48 hours, exclusive of Saturdays and holidays, preceding the meeting.

PARTICULARS OF MATTERS TO BE ACTED UPON

As set out in the notice calling the meeting the shareholders will be asked to consider and, if approved, confirm as a special resolution, a resolution of the directors authorizing the application for Amending Articles amending the Articles of the Company to provide that the Company may purchase any of its issued common shares. The Business Corporations Act (Ontario) provides that a company may, when authorized by its Articles, purchase its common shares so long as, in so doing, the company is not thereby rendered insolvent.

In the opinion of your directors, these powers are desirable for the benefit of the Company as they can be used to strengthen the equity base of the Company and increase the participation of the shareholders therein.

Since the application for Amending Articles requires authorization by a special resolution, confirmation of the same will require the affirmative vote of at least two-thirds of the votes cast at the meeting. In the event that such two-thirds vote is not received, the special resolution will not be passed and the application will not be proceeded with.

None of the senior officers, directors or nominees, or any associate of any of them, have any material interest, direct or indirect, in the aforesaid special resolution apart from the effect it will have upon their shareholdings in the Company and to the same extent as all other shareholders.

INTEREST OF MANAGEMENT AND OTHERS
IN MATERIAL TRANSACTIONS

By agreements dated September 3 and September 21, 1971, the Company purchased Dormark Oils Ltd., a private company incorporated under the laws of the Province of Saskatchewan, from Embassy Petroleums Limited, for the price of 294,334 shares of the capital stock of the Company which, pursuant to the provisions of The Securities Act (Ontario), Embassy agreed to hold for investment. Subsequent to entering into such agreement, Embassy purchased a further 50,000 shares of the capital stock of the Company on the open market. Embassy Petroleums Limited subsequently amalgamated with three other companies to form Cavalier Energy Inc., the present address of which is 300 Three Calgary Place, 355 Fourth Avenue S.W., Calgary, Alberta, which assumed all of Embassy's obligations under the said agreements and succeeded to the aggregate 334,334 shares of the Company formerly held by Embassy. By reason of its own shareholdings in the four companies (which included Dormark Oils Ltd.) amalgamating to form Cavalier, the Company owned 545,200 shares of the capital stock of Cavalier representing approximately 20.88% thereof.

By agreement made the 31st day of May, 1976, Siebens Oil & Gas Ltd., 303 Calgary Place, Calgary, Alberta, agreed to acquire a minimum of 51% and a maximum of 85%, or such higher or lower percentage, respectively, as it wished to do. Inasmuch as the success of such takeover bid was probably dependent upon the Company agreeing to deposit its shares pursuant thereto, the Company was also a party to the said agreement, agreeing to deposit its shares upon the satisfaction of certain conditions precedent. Briefly, in addition to the usual representations and warranties given by Siebens, the agreement provided that the takeover bid would not be proceeded with if the Company could not obtain the prior approval of such regulatory bodies as it deemed necessary and further provided that Cavalier would sell the 344,334 shares of the Company owned by it to a purchaser designated by the Company at a price equal to the average price at which shares of the Company traded on the Toronto Stock Exchange during the 35 day period immediately preceding the mailing date of the bid and the 35 day period immediately following the same. The Company received the consents of the Toronto, Montreal and Vancouver Stock Exchanges to the sale of the shares of Cavalier held by it pursuant to the provisions of the takeover bid as a change of investment. With regard to the shares

of the Company held by Cavalier, the Company designated Regal Finance Limited, Suite 1100, 85 Richmond Street West, Toronto, Ontario, as the designated purchaser of such shares and Regal duly completed the purchase thereof in accordance with the provisions of the agreement. Messrs. Cooper and Harper were also directors of Cavalier but, apart from holding such positions, had no interest, direct or indirect, in the said transactions.

By agreements dated March 4, 1976 and April 1, 1976, the Company as a member of an unincorporated syndicate under the name of Donalda Investment Syndicate undertook to purchase 497,000 shares of the capital stock of Aldona Mines Limited, Suite 1100, 85 Richmond Street West, Toronto, Ontario, at the price of 17¢ per share by way of private placement. Aldona is a company incorporated under the laws of the Province of Quebec and such private placement was pursuant to the provisions of terms imposed by the Quebec Securities Commission providing that the said shares purchased be held in escrow by Canada Permanent Trust Company, Montreal, subject to release upon the written consent of the Quebec Securities Commission. The Company is acting as manager of the Syndicate and the number of shares of Aldona purchased attributable to its interest in the Syndicate is 497,000 shares.

Other than D'Eldona Gold Mines Limited as to 497,000 shares, the only persons holding a greater than 5% interest in the issued and outstanding capital of Aldona are Paramount Oil & Gas Ltd., 717-7th Avenue S.W., Calgary, Alberta as to 147,000 shares, Rosmar Corporation Limited, Suite 805, 100 Adelaide Street West, Toronto, Ontario, as to 239,700 shares and Canada Permanent Trust Company, Montreal, Quebec, holding in trust 228,687 shares for the benefit of shareholders of Eldona Gold Mines Limited, the predecessor Company to D'Eldona.

October 1, 1976

LAVENTHOL & HORWATH

CHARTERED ACCOUNTANTS

120 ADELAIDE STREET WEST
TORONTO, ONTARIO M5H 1T6
TELEPHONE 416-864-3200
CABLE: HORWINTAS

REPRESENTED THROUGHOUT THE WORLD

AUDITORS' REPORT

To the Shareholders of
D'Eldona Gold Mines Limited

We have examined the consolidated balance sheet of D'Eldona Gold Mines Limited and its subsidiary as at April 30, 1976 and the consolidated statements of income and deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at April 30, 1976 and the results of their operations and changes in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Toronto, Ontario,
August 25, 1976.

Chartered Accountants.

D'ELDONA GOLD MINES LIMITED AND SUBSIDIARY
(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEET - APRIL 30, 1976

	ASSETS	<u>1976</u>	<u>1975</u>
Current:			
Cash and short term deposits	\$ 855,362	\$ 924,011	
Marketable securities, at cost less allowance for decline in market value of \$102,875 (1975 - \$201,275)	862,126	773,245	
Income taxes recoverable	-	16,026	
Interest receivable and prepaid expenses	9,734	12,081	
	<u>1,727,222</u>	<u>1,725,363</u>	
Investment in other companies:			
Investment in shares of Cavalier Energy Inc. (Note 2)	552,716	528,005	
Investment in shares of South Dufault Mines Limited (1976 - at nominal amount; 1975 - at cost)	1	16,667	
Investment in shares of other companies, at nominal amount	3	3	
	<u>552,720</u>	<u>544,675</u>	
Gas and oil properties, non-producing	<u>109,631</u>	<u>-</u>	
Sundry:			
Office equipment and leaseholds, at cost less accumulated depreciation and amortization of \$4,877 (1975 - \$3,537)	6,710	6,089	
Interest in unpatented mining claims, at nominal amount	2	2	
Organization expense	9,045	9,045	
	<u>15,757</u>	<u>15,136</u>	
	<u>\$2,405,330</u>	<u>\$2,285,174</u>	
	<u>=====</u>	<u>=====</u>	
	LIABILITIES		
Current:			
Accounts payable and accrued liabilities	<u>\$ 12,866</u>	<u>\$ 20,394</u>	
	SHAREHOLDERS' EQUITY		
Capital stock:			
Authorized:			
8,000,000 Shares, no par value			
Issued:			
6,000,000 Shares	3,016,183	3,016,183	
Deficit	<u>(623,719)</u>	<u>(751,403)</u>	
	<u>2,392,464</u>	<u>2,264,780</u>	
	<u>\$2,405,330</u>	<u>\$2,285,174</u>	
	<u>=====</u>	<u>=====</u>	
On behalf of the Board:	See accompanying notes.		
"MURRAY COOPER"(Director)		
"H. GRANT HARPER"(Director)		

D'ELDONA GOLD MINES LIMITED AND SUBSIDIARY
 CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
 YEAR ENDED APRIL 30, 1976

	<u>1976</u>	<u>1975</u>
Revenue:		
Interest	\$100,580	\$115,136
Dividends	20,405	14,622
Share of income of joint venture	845	8,293
	<u>121,830</u>	<u>138,051</u>
Gain (loss) on sale of marketable securities	2,549	(22,261)
Decrease (increase) in allowance for decline in value of marketable securities	98,400	(73,775)
	<u>100,949</u>	<u>(96,036)</u>
	<u>222,779</u>	<u>42,015</u>
Expenses:		
Accounting and corporate services	-	5,500
Directors' fees	4,850	4,900
General expenses	9,847	7,564
Legal and audit	19,029	12,001
Licences and taxes	1,156	2,214
Officers' salaries	16,175	11,450
Rent	3,073	6,626
Salaries	16,870	24,606
Shareholders' meeting expenses	1,833	1,575
Stock exchange fees	2,192	905
Transfer agents' fees	4,227	3,823
	<u>79,252</u>	<u>81,164</u>
Income (loss) before undernoted	<u>143,527</u>	<u>(39,149)</u>
Interest in mining properties and applicable deferred exploration and administrative expenditures written off	-	799
Investment in shares of mining companies written down:		
Kerralda Mines Limited	-	84,999
South Dufault Mines Limited	<u>15,843</u>	<u>-</u>
	<u>15,843</u>	<u>(85,798)</u>
Net income (loss) (per share: 1976 - \$.021; 1975 - (\$.021)) (Note 3)	<u>127,684</u>	<u>(124,947)</u>
Deficit, beginning of year	<u>(751,403)</u>	<u>(626,456)</u>
Deficit, end of year	<u>(\$623,719)</u>	<u>(\$751,403)</u>

See accompanying notes.

D'ELDONA GOLD MINES LIMITED AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED APRIL 30, 1976

	<u>1976</u>	<u>1975</u>
Financial resources were provided by:		
Operating income	\$ 127,684	\$ -
Items not requiring a current outlay of funds:		
Write down of investment in shares of		
South Dufault Mines Limited	15,843	-
Depreciation and amortization	1,340	-
Working capital provided by operations	<u>144,867</u>	
Miscellaneous	822	
	<u>145,689</u>	
Financial resources were used for:		
Operating loss	-	<u>124,947</u>
Deduct items not requiring a current outlay of funds:		
Write down of investment in shares of		
Kerralda Mines Limited	-	84,999
Depreciation	-	919
	<u>85,918</u>	
Working capital used in operations	-	39,029
Purchase of shares of Kerralda Mines Limited	-	85,000
Purchase of shares of Cavalier Energy Inc.	24,711	-
Acquisition of interests in oil and gas properties including exploration expenditures of \$108,100	109,631	-
Miscellaneous	1,960	612
	<u>136,302</u>	<u>124,641</u>
Increase in working capital	9,387	124,641
Working capital, beginning of year	<u>1,704,969</u>	<u>1,829,610</u>
Working capital, end of year	<u>\$1,714,356</u>	<u>\$1,704,969</u>

D'ELDONA GOLD MINES LIMITED AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 1976

1. Summary of significant accounting policies:

Principles of consolidation:

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary. All significant inter-company accounts and transactions have been eliminated.

Investments:

Marketable securities are classified as current assets and reflected at market with the exception of shares of Cavalier Energy Inc. The shares of Cavalier Energy Inc., which constitute a significant portion of the number of issued shares of Cavalier, are carried at cost.

Shares which are not marketable are carried at cost; they are written down when management considers they have only nominal value.

Oil and gas properties:

Expenditures related to oil and gas properties, including dry holes, are deferred and reflected at cost until the areas in which the costs are incurred are abandoned.

2. Shares of Cavalier Energy Inc.:

At April 30, 1976, the company held 545,200 shares of Cavalier Energy Inc. which cost \$552,716. In July 1976 the company sold all of the shares for \$2,180,800, for a gain of \$1,628,084, which will be reflected in the financial statements for the 1977 fiscal year.

Certain exploration and development expenditures incurred in prior years may be deducted in determining income for tax purposes in 1977. The amount of such deductions cannot be determined at this time; accordingly, there is no estimate of income taxes, if any, which may be payable by the company in respect of the gain on the sale of the Cavalier shares.

3. Income taxes:

No provision for income taxes is shown because 1976 income for tax purposes is offset by losses or expenditures of prior years which are reflected in deficit account.

- Heil - West Virginia potential gas well

- Pelican

- altho no gas
covered by doctor
wind would pattern

21.2% of unused cost
soon 20% working interest

total pent: $\frac{4}{3}$ - mill

not enough winter season

- major seal 2. mill
drilling next to Potow
field

- has some expenses

Total ppgm: 22
add up to 13 net ppgm
9 option wells

- Custer initials
speculative \$600,000
no spending yet
stal

- if successful, valuable asset.

- cost position strong.

2 sec one

21

42,221,000